

Office of the Auditor General

**Practice Review Report
for
Annual Audits Completed in
Fiscal Year 1999-2000**

December 2001



Professional Practices Group
Direction des méthodes professionnelles

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for
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Executive Summary

INTRODUCTION

In accordance with the Office's Audit and Practice Review Policy, the Professional Practices Group (PPG) has completed its review of the annual audit practice. The review provides the Auditor General with assurance that the Office's Quality Management System (QMS) for its annual audit practice is suitably designed and effectively applied to meet legislative requirements, professional standards and Office policies.

CONCLUSION

We concluded that:

- all the audit engagements reviewed for this cycle were carried out, in all significant aspects, in accordance with Generally Accepted Auditing Standards (GAAS), legislative requirements and Office policies, and
- we did not identify any situations where we believe the QMS is not suitably designed.

BACKGROUND

The Office of the Auditor General (OAG) carries out about 90 audits of the annual financial statements of the Government of Canada and various government entities. The audits are conducted in accordance with the Office's *Annual Audit Manual* and with GAAS of the Canadian Institute of Chartered Accountants. The effective operation of the Office's QMS ensures that the audits follow these requirements. As well, the audit work conducted by the Office must meet legislative audit requirements provided for in the *Auditor General Act* and any other legislation pertaining to individual audit assignments.

The Office's Annual Audit Practice is in a transition period. The Advancing our Audit Practices project (AAP) has introduced new methodology and commenced pilots on one-pass planning. A Request for Proposal has recently been issued for the acquisition of new annual audit methodology and associated tool sets (including electronic working papers) to upgrade our current methodology and

replace APEX, our current audit software, with projected implementation to occur early in 2002.

PRACTICE REVIEW SCOPE

This report summarizes the results of the 2000-01 cycle of the Annual Audit Practice Review Program. The review cycle included four audits with a December 1999 or March 2000 year-end.

OPPORTUNITIES FOR IMPROVEMENT

In the reviews, we identified opportunities for improvement in practice. These included matters related to:

- possible increases in audit efficiency by placing additional reliance on internal audit, reducing excessive documentation, and consulting earlier in the process with the Annual Audit Practice Team regarding the nature and consistency of financial statement presentation;
- modifications to practice as a result of new accounting policies such as capitalization of assets; and
- the introduction of the AAP project by clarifying the nature and extent of work required to audit authorities and improving the integration of work done on the annual attest audits with Special Examination work.

These opportunities for improvement provided individual teams with areas they need to address and were not considered significant or practice-wide in nature.

The review teams discussed all areas of improvements with the responsible audit Principals and Assistant Auditor Generals (AAGs), who agreed to them. We understand that improvements will be made in a timely fashion by each of the teams.